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# CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD



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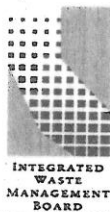
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July 14, 2009

Cameron Wright, CEO  
West Coast Rubber Recycling, LLC  
1501 Lana Way  
Hollister, CA 95023

SUBJECT: FINAL AUDIT REPORT – TIRE PRODUCT  
COMMERCIALIZATION GRANTS TR45-04-12 AND  
TR46-04-01

Dear Mr. Wright:

Enclosed is the report on the audit of the West Coast Rubber Recycling, LLC Tire Product Commercialization Grants TR45-04-12 and TR46-04-01 awarded for the periods June 1, 2005, through April 13, 2007. Our audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions.

CIWMB congratulates West Coast Rubber Recycling, LLC on the results of this audit. No findings resulted from this review of West Coast Rubber Recycling, LLC provided information. Although, this review was selective and any result cannot be applied with certainty to West Coast Rubber Recycling, LLC's grant program as a whole, we believe that this audit report is reflective of West Coast Rubber Recycling, LLC's proper grant administration.

If you have any questions regarding this report, please contact Susan Villa, Branch Manager, Fiscal Services Branch, at (916) 341-6092 or [svilla@ciwmb.ca.gov](mailto:svilla@ciwmb.ca.gov).

Sincerely,

Tom Estes, Deputy Director  
Administration and Finance Division  
California Integrated Waste Management Board

(Over)



Cameron Wright  
July 14, 2009  
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Enclosure

cc: Gary Kerr, CFO, West Coast Rubber Recycling, LLC  
Corky Mau, Branch Manager, Grant and Loan Resources Branch, CIWMB  
Steven Hernandez, Supervisor, Grant Program-A, Grant and Loan Resources  
Branch, CIWMB  
Linda Dickinson, Grant Manager, Grant and Loan Resources Branch, CIWMB  
Carl Coaxum, Auditor, Audits and Evaluations Unit, CIWMB  
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**A GRANT AUDIT**

**West Coast Rubber Recycling, LLC**

**Tire Product Commercialization Grants**

**Final Audit Report**

**Grants TR45-04-12  
And  
TR46-04-01**

**For the Periods June 01, 2005  
through April 13, 2007**

**Prepared By:  
California Integrated Waste Management Board  
Audits and Evaluations Unit**

**July 2009**

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## **PREFACE**

The California Integrated Waste Management Board awarded TR45-04-12 and TR46-04-01 Tire Product Commercialization Grants to West Coast Rubber Recycling, LLC. These grant agreements were funded by the Tire Recycling Fund.

The grant agreements were as follows:

<b>Grant Agreement</b>	<b>Amount</b>	<b>Audit Period</b>
TR45-04-12	\$ 100,000.00	06/01/05 – 04/13/07
TR46-04-01	\$ 150,000.00	06/01/05 – 04/13/07

The objective of this audit was to determine West Coast Rubber Recycling, LLC's compliance with the grant agreement. The audit also assessed West Coast Rubber Recycling, LLC's compliance with fiscal and statutory requirements, as well as a review of internal controls.

This report is intended for the information and use of CIWMB and West Coast Rubber Recycling LLC's management. However, this report is a matter of public record and its distribution is not limited.

## **STAFF:**

Carl Coaxum  
Linh Johnson  
Auditors



## AUDITOR'S REPORT

Mr. Mark Leary, Executive Director  
California Integrated Waste Management Board  
1001 I Street, MS-25A  
Sacramento, CA 95814

The Audits and Evaluations Unit conducted an audit of West Coast Rubber Recycling, LLC Tire Product Commercialization Grants. Strategic Directive 10 (SD-10), requires California Integrated Waste Management Board (CIWMB) to conduct regular audits of the CIWMB's fiscal processes for grants. This audit report meets the intent of SD-10 and is for the information and use of CIWMB and West Coast Rubber Recycling, LLC's management.

This audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions for:

- TR45-04-12, June 01, 2005, through April 13, 2007
- TR46-04-01, June 01, 2005, through April 13, 2007

To summarize the grant receipts and expenditures, Statements of Revenue and Expenditures were prepared for these agreements executed between CIWMB and West Coast Rubber Recycling, LLC. These statements were prepared from West Coast Rubber Recycling LLC's records and are the responsibility of West Coast Rubber Recycling LLC's management. The audit responsibility is to provide management with reassurance on the propriety of grant payments as represented by these Statements.

The audit was conducted in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to provide reasonable assurance as to whether West Coast Rubber Recycling, LLC is compliant with the requirements of the grant agreements. An audit includes examining, on a substantive and control test basis, evidence supporting sample amounts listed in the Statements and grant compliance disclosures.

As part of the audit, West Coast Rubber Recycling, LLC did provide a management representation letter. This letter is to confirm West Coast Rubber Recycling, LLC's representations provided to us, explicitly or implicitly, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations.

## **Compliance**

The Statements represent fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreements.

As part of obtaining reasonable assurance on the Statements, we performed tests of West Coast Rubber Recycling, LLC's compliance with certain regulations and the grant agreement. The results of our tests disclosed compliance with the grant agreement requirements.

## **Management Controls**

In planning and performing our audit, we considered West Coast Rubber Recycling, LLC's internal control over financial reporting in order to determine our auditing procedures on the Statements and not to provide assurance on the internal control over financial reporting.

This report is intended solely for the information and use of CIWMB and West Coast Rubber Recycling, LLC's management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Tom Estes, Deputy Director  
Administration and Finance Division  
(916) 341-6090

July 14, 2009



# STATEMENT OF REVENUE AND EXPENDITURES

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**West Coast Rubber Recycling, LLC**  
**Tire Product Commercialization Grant TR45-04-12**  
**For the Period June 01, 2005 through April 13, 2007**

		<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
<b>Revenue:</b>				
State Grant Awarded	\$100,000.00	\$0.00	\$0.00	\$0.00
Grant Payment Request #1		\$45,900.00	\$45,900.00	\$0.00
Grant Payment Request #2		\$35,650.39	\$35,650.39	\$0.00
Grant Payment Request #3		\$5,443.20	\$5,443.20	\$0.00
Grant Payment Request #4		\$3,006.41	\$3,006.41	\$0.00
Less 10%		\$10,000.00	\$10,000.00	\$0.00
Total Revenue		<u>\$100,000.00</u>	<u>\$100,000.00 *</u>	<u>\$0.00</u>
 <b>Eligible Expenditures:</b>				
Equipment		\$48,906.41	\$48,906.41	\$0.00
Retrofit Air, Electrical, and Concrete		\$41,093.59	\$41,093.59	\$0.00
Less 10%		\$10,000.00	\$10,000.00	\$0.00
Total Expenditures	\$100,000.00	<u>\$100,000.00</u>	<u>\$100,000.00 *</u>	<u>\$0.00</u>
 <b>Excess of Revenue over Expenditures</b>				
		<u>\$0.00</u>	<u>\$0.00</u>	

\* Audited Payment #1 through #4

The accompanying notes are an integral part of this statement.

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# STATEMENT OF REVENUE AND EXPENDITURES

**West Coast Rubber Recycling, LLC**  
**Tire Product Commercialization Grant TR46-04-01**  
**For the Period June 01, 2005 through April 13, 2007**

		<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
<b>Revenue:</b>				
State Grant Awarded	\$150,000.00	\$0.00	\$0.00	\$0.00
Grant Payment Request #1		\$64,305.00	\$64,305.00	\$0.00
Grant Payment Request #2		\$37,784.05	\$37,784.05	\$0.00
Grant Payment Request #3		\$32,910.95	\$32,910.95	\$0.00
Less 10%		\$15,000.00	\$15,000.00	\$0.00
Total Revenue		<u>\$150,000.00</u>	<u>\$150,000.00 *</u>	<u>\$0.00</u>
<b>Eligible Expenditures:</b>				
Electrical & Engineering Installation		\$70,695.00	\$70,695.00	\$0.00
Equipment		\$64,305.00	\$64,305.00	\$0.00
Less 10%		\$15,000.00	\$15,000.00	\$0.00
Total Expenditures	\$150,000.00	<u>\$150,000.00</u>	<u>\$150,000.00 *</u>	<u>\$0.00</u>
<b>Excess of Revenue over Expenditures</b>		<u>\$0.00</u>	<u>\$0.00</u>	

\* Audited Payment #1 through #3

The accompanying notes are an integral part of this statement.

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## **NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES**

**West Coast Rubber Recycling, LLC  
Tire Product Commercialization Grants  
TR45-04-12 and TR46-04-01  
For Audit Period of June 1, 2005 through April 13, 2007**

**Note 1** Description of the Reporting Entity

West Coast Rubber Recycling (WCRR), LLC, is a California Limited Liability Corporation established in 1999. Their recycling facility is located at 1501 Lana Way, in Hollister, California. They recently moved from a smaller facility in Gilroy, to a larger facility in Hollister, California in order to handle growth. Cameron Wright serves as Chief Executive Officer and Gary Kerr serves as Chief Financial Officer. WCRR is a fully commercialized, partially automated, tire recycling plant manufacturing four molded, three buffing, and six crumb rubber products. WCRR recycles scrap tires to manufacture crumb rubber for use in playgrounds, horse arenas, mulch, and to be mixed with sand and asphalt. In 2005 WCRR claims to have experienced an even growth rate of 20 percent per year for the past 2 years.

**Note 2** Program Information

The California Integrated Waste Management Board administers the California Tire Recycling Act, which includes the disbursement of Tire Product Commercialization Grants from the Integrated Waste Management Fund.

The Legislature enacted the California Tire Recycling Act (Public Resources Code Sections 42860 – 42895) to reduce the illegal disposal of used tires, and to recycle and reuse used tires to the greatest extent possible. The Tire Product Commercialization Grant Program support research institutions, businesses, and individuals that need assistance to develop or expand their waste tire products to a commercial scale.

**Note 3** Descriptions of Tire Product Commercialization Grants

WCRR received two grant awards in the amounts of \$100,000 for TR45-04-12, and \$150,000 for TR46-04-01 to provide opportunities to divert waste tires from landfill disposal, prevent illegal tire dumping, and promote markets for recycled-content tire products. The grant terms covered the overall period June 1, 2005, through April 13, 2007.

WCRR's primary goals for the Tire Product Commercialization Grants were to increase WCCR's crumb rubber production by purchasing an advanced tire granulation system, install a tire shredding system to produce a wire free tire chip, and install a dual drive tire rubber grinding system.

**Note 4** Summary of Significant Accounting Policies

A. Basis of Presentation

The Statements presented in this report were prepared from WCRR's accounts and financial transactions. The Statement summarizes revenue and expenditures recorded by the WCRR during the reporting periods referenced in Note 3.

The Statement summarizes the WCRR's transactions pertaining to TR45-04-12 and TR46-04-01. They are not intended to represent all of the WCRR's financial activities.

B. Basis of Accounting

WCRR's accounts are maintained on the modified accrual basis and in accordance with Generally Accepted Accounting Principles. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

**Note 5** Compliance

During the performance of this audit, we observed that the WCRR governs its Tire Product Commercialization Grant Program in accordance with the Terms and Conditions and Procedures and Requirements of the Grant Agreements.